

Message Text

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17

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 FEA-02 H-03 INR-11 L-03 PM-07

SAM-01 SCI-06 SS-20 SP-03 STR-08 IO-14 AF-10 ARA-16

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P R 010925Z OCT 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 4689

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

USEC BRUSSELS 182

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY OTTAWA

OECD PARIS 839

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION USUN NY

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 12184

STADIS////////////////////////////////////

EO 11652: GDS

TAGS: ENRG ID

SUBJ: ENERGY: OIL PRICES

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REF: A. JAKARTA 12070 B. JAKARTA 12170

1. SUMMARY: US DESIRES FOR INTERDEPENDENCE AND CONSULTATION WITH OIL PRODUCERS NOT RPT NOT GETTING THROUGH, EVEN IN THIS MODERATE OPEC COUNTRY. CONGRESSIONAL ACTIONS RELATING TO OPEC THREATEN OTHER US INTERESTS HERE. FROM OUR LIMITED VANTAGE POINT, WE SEE NEED FOR CONCENTRATED EFFORT AT OPENING DIALOGUE WITH OIL PRODUCERS, INCLUDING POSSIBILITY OF DIRECT CONTACT WITH OPEC.
END SUMMARY

2. REFTELS INDICATE ADVERSE PUBLIC AND PRIVATE INDONESIAN REACTIONS TO CURRENT USG STAND ON OIL PRICES. MY CONVERSATIONS WITH INDONESIAN MINISTERS AND US COMPANY REPRESENTATIVES CONFIRM THESE ATTITUDES.

3. I FULLY APPRECIATE STRONG CONCERN IN EXECUTIVE, CONGRESS, AND US PUBLIC OVER ADVERSE IMPACT HIGH OIL PRICES ON US AND WORLD ECONOMY. WHILE SUPPORTING OBJECTIVES OF DEFLATING OPEC AND PERMITTING MARKET FORCES TO DETERMINE OIL PRICES, I SEE DIMINISHING POSSIBILITY WE WILL ACHIEVE OBJECTIVE WE SEEK IF WE FOLLOW OUR PRESENT COURSE. INSTEAD, EVEN IN INDONESIA WHICH IS MODERATE AND RELATIVELY INACTIVE IN OPEC, OUR APPROACH APPEARS TO RISK HARDENING THEIR POSITION AND REDUCING PROSPECTS FOR CONSULTATION.

4. US DESIRE FOR INTERDEPENDENCE AND CONSULTATION ON OIL PRICE AND RELATED MATTERS CLEARLY NOT RPT NOT GETTING THROUGH. INSTEAD MANY KEY INDONESIAN OFFICIALS SEE US MAINLY:

A. AS OUT TO UNDERMINE OR DESTROY OPEC AND CHALLENGE SOVEREIGN RIGHTS OF ITS MEMBERS TO ACT ON THEIR OWN INTERESTS;

B. AS ONE-SIDED IN PREOCCUPATION WITH OIL PRICE AND THUS NOT OFFERING SATISFACTORY BASIS FOR CONSULTATION ON ASPECTS OF CONCERN OIL PRODUCERS (EG PARITY OF OIL PRICES WITH INDUSTRIAL GOODS IMPORTS);

C. AS OFFERING COOPERATION, BUT SOLELY ON OUR TERMS;

D. AS SPEAKING FOR OTHER LDCS WITHOUT THEIR ACCOMPANYING SUPPORT; THEY SEE LDCS DIRECTING THEIR CONFIDENTIAL

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IRE AT DEVELOPED COUNTRIES, NOT AT OIL PRODUCERS: WITH WHICH THEY SHARE THIRD WORLD IDENTIFICATION;
E. AS OVERSTRESSING POLITICAL NATURE OF OIL PRICE QUESTION; INDONESIA DID NOT ENGAGE IN OIL EMBARGO AND CONSIDERS ITS PRICE INCREASES JUSTIFIED ON ECONOMIC GROUNDS.

5. TWO POSSIBLE CONGRESSIONAL ACTIONS THREATEN OUR

WIDER INTERESTS IN INDONESIA AND HEIGHTEN POSSIBILITY OF MAJOR POLICY CONFLICT WITH SUHARTO GOVERNMENT. PRESS SERVICE HERE AHS REPORTED SENATOR CHURCH PROPOSAL TO AMEND FOREIGN ASSISTANCE ACT TO HALT MILITARY AND ECONOMIC ASSISTANCE TO OPEC COUNTRIES WHICH REFUSE TO CUT OIL PRICES. SIMILARLY, EAST ASIA PACIFIC WIRELESS FILE SEPTEMBER 27 (EPF-52) REPORTS TITLE 5 OF TRADE REFORM ACT, ABOUT TO BE APPROVED, WOULD PROHIBIT EXTENSION GENERALIZED PREFERENCES TO OPEC COUNTRIES. SUCH RESTRICTIONS ON ASSISTANCE WOULD VIRTUALLY PRECLUDE MEANINGFUL TRADE DISCUSSIONS WITH ASEAN COUNTRIES PROPOSED STATE 176399 AND WOULD NOT, IN OUR VIEW, LEAD INDONESIA TO ACT CONTRARY TO OPEC THREATS ON OIL PRICES.

6. FROM ADMITTEDLY LIMITED VANTAGE POINT, I BELIEVE USG SHOULD MAKE URGENT EFFORT TO REVERSE DRIFT WE SEE TOWARD CONFRONTATION, FOLLOWING UP WITH POSITIVE ACTION ON PRESIDENT'S AND SECRETARY'S STRESS ON INTERDEPENDENCE. KEY INGREDIENT INVOLVES RECOGNITION THAT LDCS SEE WORLD IN DIFFERENT TERMS AND HAVE OBJECTIVES WHICH DIFFER FROM OURS. WILLINGNESS OF INDUSTRIAL NATIONS TO RECOGNIZE EXISTENCE THEIR OBJECTIVES WOULD PROVIDE GREATER ENCOURAGEMENT TO MEANINGFUL CONSULTATIONS. THIS NOW LACKING SO LONG AS US EMPHASIZES ONLY PRICE ASPECT. AS FEA TEAM FOUND HERE(REFTEL), THIS EMPHASIS WEAKENS CREDIBILITY OF OUR DISINTERESTED APPROACH. NEVERTHELESS, THERE IS EAGERNESS FOR DIALOGUE WITH US, AND GREAT APPRECIATION OF APPROACH THAT LISTENS TO THEIR PROBLEMS AS WELL AS TELLING THEM OURS.

7. I RECOMMEND THAT US PROMPTLY UNDERTAKE TO FORM HIGH-LEVEL BUT LOW-KEY TEAM TO EXPLORE WITH OECD
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AND OPEC COUNTRIES TO DETERMINE TERMS ON WHICH PRODUCER AND CONSUMER NATIONS COULD OPEN DIALOGUE ON WHOLE RANGE ON INTERESTS REVOLVING AROUND OIL SUPPLY AND DEMAND. ONCE TERMS DETERMINED, SUCH DIALOGUE WITH A NATION SUCH AS INDONESIA MIGHT BE POSSIBLE IN CONTEXT OF TRADE REFORM ACT--BUT NOT IF ACT APPEARS SOLELY AS LEVERAGE FOR LOWER PRICES. IF PASSED IN PROPOSED FORM, ACT LIKELY ONLY TO AGGRAVATE GROWING SENSE OF CONFRONTATION.

8. IN CONTEXT NEED FOR GENUINE DIALOGUE WITH OPEC COUNTRIES, WE WOULD HOPE DEPARTMENT COULD EFFECTIVELY OPPOSE OR MAKE MORE FLEXIBLE CONGRESSIONAL RESTRICTIONS ON TRADE AND AID RELATIONS WITH OPEC COUNTRIES. PARTICULARLY IN CASE OF INDONESIA, THESE COULD ONLY HARM WIDER USG INTERESTS WHILE PROBABLY DIMINISHING

CHANCES OF ACHIEVING OUR PRICING OBJECTIVES. NEWSOM

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